**STATEMENT OF**
**THE AMERICAN FARM BUREAU FEDERATION**
**TO THE**
**HOUSE AGRICULTURE COMMITTEE**
**REGARDING**
**DRAFT FARM BILL CONCEPT PAPER**

**Presented by**

**Steve Appel**
**Vice President**

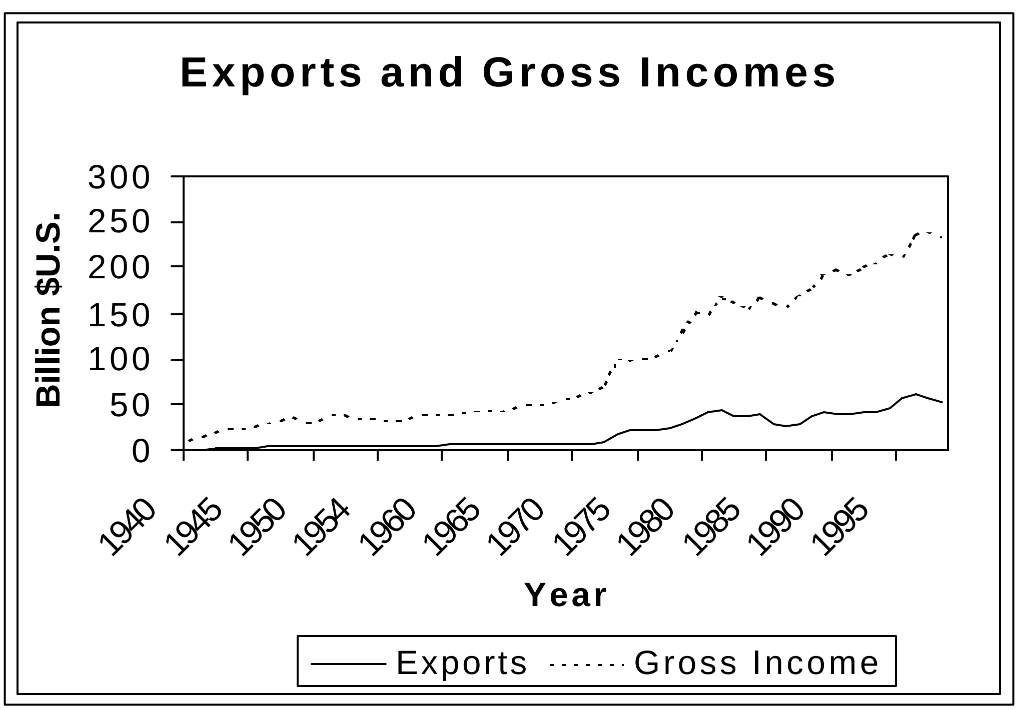
**July 18, 2001**

Mr. Chairman, I am Steve Appel, Vice President of the American Farm Bureau Federation, and a wheat and barley grower from Whitman County, Washington. AFBF represents more than five million member families in all 50 states and Puerto Rico. Our members produce every type of farm commodity grown in America and depend on a strong and sound agriculture policy.

During debate on the 1996 farm bill, Congress gave farmers their word regarding access to additional foreign markets through trade policy reforms, relief from over burdensome regulations, additional and improved risk management tools, and tax reforms for their support of the FAIR Act in 1996. Now, facing the fourth consecutive year of all-time low commodity prices, Congress must keep its side of the bargain.

Farm Bureau offers the following comments regarding the Draft Concept Paper.

1. Additional agricultural exports will improve net farm income. We export about one-third of our production. The following chart, based on USDA data, shows a remarkable similarity in the historical trends between agricultural exports and gross farm income.



We can build demand by continuing to pursue a level playing field in international markets. We commend your increase in the recommended funding for the Market Access Program and urge continued increases in market promotion and market access funding. We must pass trade promotion authority. We must fight world hunger with increased food assistance programs. As markets grow, farm program costs decrease and farmer incomes grow from the market place. Opening markets and leveling the playing field is more important than ever. We cannot afford to remain on the sidelines while other countries use export programs to capture our markets.

2. Funding for agricultural research has remained flat in real terms for 15 years, while other federal research has increased significantly. USDA received a four percent increase in research funding for FY2001, well below the average increase of 12 percent for other federal agencies. Agricultural research is currently funded at about $2 billion annually. Research will contribute to the U.S. continuing to be the best fed nation with the lowest share of income spent on food, help us retain and expand a competitive edge in the global marketplace, enable us to produce better and safer foods, find new uses for agricultural products, minimize the use of potentially harmful chemicals, and conserve natural resources.

3. We oppose payment limits. Farms have gotten larger to remain competitive. As farm size grows, and the number of commercially viable farms declines, payments that are based on units of production will naturally be concentrated among fewer people. Payment limits make these farms less competitive with those farms that receive government payments, but do not hit the payment limit. Family and multi-generation family farms account for the vast majority of viable commercial farms. These same farms produce a majority of the program crops grown in the U.S. and as a result, receive a majority of the federal farm program payments. The intent of this farm program concept paper is to design an agricultural program that provides a solid agricultural base for America. Payment limits and targeting of benefits will cause a segmentation of the industry, causing us to be less competitive.

4. We believe producers should be allowed to lock in a published loan deficiency payment (LDP) at any time after a crop is planted, with payment being made only after harvest and yield determination. Under current law, beneficial interest in a commodity is required in order to take out a CCC loan or receive an LDP. There is no beneficial interest in a commodity until that crop has been harvested. Producers choosing when to lock in would result in equal opportunity for all producers to lock in their LDP at the most opportune time. While the circumstances could shift, those producers harvesting early in the crop year have, over the past few years, generally been able to collect a higher LDP than producers harvesting later in the year.

Final LDP dates should be extended to coincide with the USDA crop-marketing year. Currently, producers may obtain a marketing loan or receive an LDP on all or part of their eligible production during the loan availability period. Final dates for requesting LDPs are March 31 for wheat, barley and oats and May 31 for corn, grain sorghum and soybeans. This could help producers by extending the safety net another three months if prices drop sharply late in the marketing year.

A payment in lieu of LDPs should be provided to producers who choose to graze out wheat. This proposal would allow producers to utilize grazed out wheat as an important risk management option and as a rotational cropping pattern for conservation practices; and possibly alleviate some of the potential for rising wheat stocks, thereby lowering government financial exposure and increasing market prices.

5. We support a transfer of all funding in the conservation section of the Concept Paper into two conservation programs-- a reformed EQIP program and a conservation incentive payment program. The $15.05 billion should be allocated equally between livestock and crops including fruits and vegetables. Given the limited amount of funds for conservation and the need to fund other programs, we do not support expansion of the current Conservation Reserve Program.

The incentive program would be a voluntary program that would provide all producers with additional conservation options for adopting and continuing conservation practices to address air, water quality, soil erosion and wildlife habitat. A payment would be made to producers who implement a voluntary management plan to provide specific public benefits by creating and maintaining environmental practices. The management plan would be a flexible contract, tailored and designed by the participant to meet his or her goals and objectives while also achieving the goals of the program.

We appreciate this opportunity to testify on the concept paper and look forward to reviewing the legislative language as soon as it is available.

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